


ED COMMITTEE #1  
October 24, 2013  
**Discussion**

**M E M O R A N D U M**

October 22, 2013

TO: Education Committee

FROM: Essie McGuire, Senior Legislative Analyst 

SUBJECT: **MCPS FY13 Year-End Financial Report**

Today the Education Committee will discuss the FY13 Year-end Financial Report of the Montgomery County Public Schools (MCPS). Tom Klausing, Director, Office of Management, Budget, and Planning, MCPS, will participate in today's discussion.

The FY13 Year-end Financial Report was presented to the Board of Education on August 21 (attached at circles 1-6). **The report shows that MCPS ended FY 13 with a total surplus of \$25.6 million.** This total consists of \$21.8 million in projected expenditure surplus and \$3.8 million in projected revenue surplus. Because all categories ended the year with surplus or on budget, MCPS does not need to request a categorical transfer for FY13.

The Committee last reviewed the MCPS financial report in July, which at that time reflected financial conditions through April 30. The final year-end total surplus is \$3.8 million higher than was projected at that time. Overall, the FY13 expenditure surplus represents 1.1 percent of the operating budget.

This year-end report shows that as of the end of FY13, MCPS has a total fund balance of \$49.1 million, including unappropriated fund balance from prior years. The Council appropriated nearly \$27 million of MCPS fund balance as a resource for the FY14 operating budget. This action leaves an unappropriated balance of \$22.1 million going forward into future fiscal years.

The table below shows the year-end balance for each category as a percent of the total category appropriation.

	<b>FY13 App Budget</b>	<b>FY13 Year-end Balance</b>	<b>% of App Cat Budget</b>
Cat 1, Administration	39,896,271	613,000	1.5%
Cat 2, Mid-level Administration	136,605,026	3,205,000	2.3%
Cat 3, Instructional Salaries	819,313,949	12,029,000	1.5%
Cat 4, Textbooks and Instr Supplies	24,920,279	1,063,000	4.3%
Cat 5, Other Instr Supplies	11,682,969	256,000	2.2%
Cat 6, Special Education	252,387,539	908,000	0.4%
Cat 7, Student Personnel Svcs	10,268,248	160,000	1.6%
Cat 8, Health Svcs	37,402	18,000	48.1%
Cat 9, Student Transportation	95,352,853	88,000	0.1%
Cat 10, Operation of Plant and Equip	114,851,533	2,349,000	2.0%
Cat 11, Maintenance of Plant and Equip	34,329,672	312,000	0.9%
Cat 12, Fixed Charges	497,225,209	779,000	0.2%

The financial report continues to track vacancies in each category. Category 3, Instructional Salaries, is the category with the most budgeted positions. Category 3 ended the year with 181.9 vacant positions out of a total 10,576.2 FTE budgeted in the category (1.7 percent). At the July meeting, the Committee requested additional information on the position vacancies in Category 3. MCPS provided the breakdown information on circle 7 that shows the distribution of positions and vacancies across elementary, middle, and high schools and among teachers, counselors, paraeducators, and other Category 3 positions.

The Board is scheduled to receive the first monthly financial report of FY14 in November. The Education Committee will continue its regular review of the MCPS financial reports throughout FY14.

Office of the Superintendent of Schools  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 21, 2013

MEMORANDUM

To: Members of the Board of Education

From: Joshua P. Starr, Superintendent of Schools

Subject: Fiscal Year 2013 Operating Budget Year-end Financial Report

This memorandum provides a year-end financial report for Fiscal (FY) 2013 for Montgomery County Public Schools (MCPS). The report provides actual FY 2013 revenue information by revenue source, and expenditure information by state category. In some years, end-of-year financial information may be combined with a request for the Montgomery County Council to approve transfers between state categories to align budgeted appropriations with actual expenditures. Because there are no state categories for which actual expenditures exceeded the budgeted amount, no transfers are required. Overall, the FY 2013 MCPS Operating Budget ended with an expenditure surplus of \$21,782,707. This is \$3,882,707 more than \$17,900,000 projected end-of-year surplus reported to the Board of Education on June 13, 2013, which was based on actual data and projections as of April 30, 2013. The expenditure surplus represents 1.1 percent of the operating budget. In addition, there is a revenue surplus of \$3,797,656 for a total surplus of \$25,580,363. There may be small variances in these figures pending the final audit report due to be completed at the end of September 2013.

As a result of savings in FY 2011 and FY 2012, and after the County Council appropriated \$17 million of the fund balance as a source of revenue for the FY 2013 Operating Budget, the fiscal year began with a fund balance of \$23.5 million. Based on the FY 2013 actual end-of-year revenue and expenditure surplus of \$25.6 million, the year-end fund balance is \$49.1 million. The FY 2014 Operating Budget for MCPS approved by the County Council on May 23, 2013, includes the use of \$27.0 million of fund balance as a source of revenue. The remaining available fund balance of \$22.1 million will be used as a source of revenue for future MCPS operating budgets.

During FY 2013, staff closely monitored revenue and expenditures. Coordinated by the Office of the Chief Operating Officer, monitoring is led by the Department of Management, Budget, and Planning and the Department of Financial Services. The monitoring process is extremely comprehensive and detailed. Unit managers review each of their accounts on a monthly basis

and report projections for the fiscal year. Staff members in the Department of Management, Budget, and Planning review and analyze these projections using quantitative models, trends, and their knowledge of unit operations.

The Board of Education received detailed financial status reports during the past year and the Board discussed the reports at its public business meetings. The reports were transmitted to the county executive, the county's Office of Management and Budget, and the County Council. Final FY 2013 revenue and expenditures are in line with the trends indicated in the monthly reports. The following summary presents the principal reasons for the surplus in revenue and the surpluses in each of the state categories of expenditure.

### REVENUE

Total revenue for FY 2013, excluding grants and enterprise funds, was \$2,039,718,605, which is \$3,797,656 more than the revised budget. The actual revenue surplus was \$78,244 lower than the surplus reported to the Board on June 13, 2013. Below are the actual revenue amounts by source and explanations of the changes.

#### **County**

The actual revenue from the county was \$1,419,513,701. There is no change from the revenue projection in the June financial report.

#### **State**

The actual revenue from the state was \$591,555,541, which is \$3,243,166 more than the revised amount budgeted for state aid, and \$118,734 less the amount previously reported. The increase over the amount budgeted is due to additional state revenue for tuition for students attending nonpublic programs. In FY 2013, MCPS was required to pay \$30,461 per student toward the total cost of his or her tuition. In addition, MCPS was required to pay 30 percent of the difference between the \$30,461 and the total cost, while the state paid 70 percent of the difference. MCPS received additional state revenue due to the fact that the 30 percent amount was lower than in previous years due to a reduction in the cost per pupil and because there were additional students.

#### **Federal**

The actual revenue from Impact Aid was \$504,490, which is \$204,490 more than the amount estimated in the FY 2013 Operating Budget. The amount is \$40,490 more than the amount projected in the June 13, 2013, financial report.

**Other**

The actual revenue from other sources, such as fees, was \$4,075,708, which is \$350,000 more than the revised budget. There is no change from the amount that was reported in June.

**Appropriated Fund Balance**

Actual revenue from appropriated fund balance is \$24,069,165. This amount included \$7,069,165 for prior-year encumbrances.

**EXPENDITURES**

Based on actual expenditures, there was an expenditure surplus of \$21,782,707. There are surpluses in all state categories except Category 14, Community Services, which ended the year on budget. The following provides an explanation of the surplus, including changes from the projection provided to the Board of Education on June 13, 2013. This projection was based on data as of April 30, 2013. Figures are rounded for ease of explanation.

**Category 1—Administration**

The year ended with a surplus in Category 1—Administration, of \$613,000. The surplus was \$113,000 higher than the \$500,000 projected surplus reported to the Board in June. The actual surplus of \$995,000 in position salaries was related to lapse and turnover savings. There were approximately 9.0 Full-time Equivalent (FTE) position vacancies throughout the year, and 8.8 FTE vacancies were in the Office of the Chief Technology Officer (OCTO). There was a surplus of \$390,000 in temporary part-time salaries, almost all of which is due to lower than anticipated costs for long-term leave. There was a deficit of \$839,000 in contractual services. This deficit is primarily due to higher than budgeted costs for legal services, and for outside contractors for technology services due to position vacancies in OCTO. There was a net surplus of \$67,000 in supplies and materials and equipment. This surplus consisted of numerous small amounts spread among several MCPS units.

**Category 2—Mid-level Administration**

There was an actual end-of-year surplus of \$3,205,000 in Category 2—Mid-level Administration, which is \$205,000 higher than the \$3,000,000 projected surplus reported to the Board in June. The \$2.7 million surplus in position salaries reported in June increased by \$100,000 to \$2.8 million. The surplus was due to savings from lapse and turnover. From April to June, there was an increase of 10.5 vacant FTE positions (from 12.1 to 22.6). As projected, actual expenditures for temporary part-time salaries were on budget. Actual expenditures for contractual services, supplies and materials, and other expenditures were lower than budgeted by \$376,000, which is \$76,000 higher than projected in the report provided to the Board in June.

The surplus consisted of small amounts in Category 2 accounts spread among several MCPS units.

### **Category 3—Instructional Salaries**

The actual end-of-year surplus in Category 3—Instructional Salaries, was \$12,029,000. This is the same amount that was reported to the Board in June. The year ended with a surplus in position salaries of \$8.9 million due to savings from lapse and turnover. At the end of the year, there were 181.9 FTE position vacancies. Approximately 80 percent of the vacancies were in classroom teacher positions that were filled with long-term substitutes. The \$3.1 million surplus in temporary part-time salaries was due to lower than budgeted costs for short-term substitutes and other part-time salaries, sick and annual leave payout, and long-term leave.

### **Category 4—Textbooks and Instructional Supplies**

Although expenditures for Category 4—Textbooks and Instructional Supplies, were projected to be on budget, there was an end of year surplus of \$1,063,000. Of this amount, \$620,000, or almost 60 percent of the surplus was due to lower than projected costs for textbooks and instructional materials in schools. In addition, \$243,000, or 23 percent of the total surplus, was due to lower than anticipated costs for printing supplies in the Editorial, Graphics, and Publishing Services Unit. The remaining surplus of \$200,000 consisted of various amounts spread among several MCPS units.

### **Category 5—Other Instructional Costs**

The actual end-of-year surplus in Category 5—Other Instructional Costs, was \$256,000. The category was projected to be on budget in the June report to the Board. Almost half of the surplus was attributable to lower than expected costs related to local travel mileage reimbursement. The remaining amount was a result of lower than anticipated contractual costs for maintenance of instructional computers.

### **Category 6—Special Education**

While expenditures for Category 6—Special Education, were projected to be on budget, actual expenditures resulted in an end-of-year surplus of \$908,000. Position salary expenses were shifted to the *Individuals with Disabilities Education Act* grant budget, resulting in a surplus of \$649,000. This is \$389,000 more than the projected surplus based on April data. While a deficit of \$190,000 was projected for temporary part-time salaries, there was a surplus of \$91,000. Actual expenditures for long-term leave and part-time salaries were lower than projected. Contractual services had a deficit of \$476,000. This is \$74,000 less than the projected deficit of \$550,000. The deficit is related to contractual speech, occupational therapy, and physical therapy services for students. Contractor services are used when FTE positions are vacant. There was a surplus of \$650,000 for tuition for students in nonpublic programs, which is

\$170,000 higher than the \$480,000 projected. Final billings indicate that the cost of related services for students was lower than expected. While expenditures for textbooks, instructional materials, and equipment were projected to be on budget, actual expenditures resulted in a deficit of \$6,000.

**Category 7—Student Personnel Services**

The actual end-of-year surplus in Category 7—Student Personnel Services, was \$160,000, which is \$60,000 more than the \$100,000 surplus reported to the Board in June. The change is attributable to a 1.0 FTE position that was reallocated to the Head Start grant.

**Category 8—Health Services**

The actual end-of-year surplus for Category 8—Health Services, was \$18,000. Expenditures for paramedics at athletic events were less than budgeted.

**Category 9—Student Transportation**

The FY 2013 end-of-year surplus in Category 9—Student Transportation, was \$88,000, which is \$112,000 less than the \$200,000 surplus reported to the Board in June. While there were approximately 77.0 FTE position vacancies, part-time bus operators were used to cover routes. There was a \$62,000 overall surplus in position and non-position salaries. While salaries were projected to be on budget, there was a savings in the amount spent for part-time bus operators. The remaining surplus is spread among many accounts including contractual services, supplies, fuel, and lease/purchase of buses.

**Category 10—Operation of Plant and Equipment**

There was an actual end-of-year surplus of \$2,349,000 in Category 10—Operation of Plant and Equipment, which is \$249,000 more than the surplus reported to the Board in June. The year ended with approximately 30.0 FTE position vacancies, and there was a position salary surplus of \$132,000. There was a deficit of \$634,000 in temporary part-time salaries related to costs for long-term leave and part-time employees. For both position and temporary part-time salaries, the deficit was \$213,000 less than the projected deficit. The actual surplus from utilities was \$2,664,000, which is \$129,000 more than projected. The actual surplus of \$187,000 for contractual services, supplies, and equipment was \$93,000 less than the \$280,000 surplus projected based on April 30, 2013 data.

**Category 11—Maintenance of Plant**

The FY 2013 end-of-year surplus in Category 11—Maintenance of Plant, was \$312,000. Expenditures for this category were projected to be on budget. There were approximately 17.0 FTE position vacancies at year end. Lapse and turnover savings resulted in a position salary

balance of \$1.1 million. This is \$200,000 more than the amount projected. There was a surplus of \$51,000 in temporary part-time salaries compared to the \$115,000 deficit that was projected in June. The change resulted from lower than anticipated expenditures for long-term leave and part-time salaries. There was a net deficit of \$839,000 related to vehicle operating costs; expenditures for maintenance supplies; and Heating, Ventilation, and Air Conditioning repair services as well as other various items. The June financial report included a deficit of \$785,000 for these items, a difference of \$54,000.

#### **Category 12—Fixed Charges**

There was an end-of-year surplus of \$779,000 in Category 12—Fixed Charges. The projection in the financial report presented to the Board in June indicated that expenditures would be on budget. While it was anticipated that all budgeted funds for employee health benefits would be transferred to the trust fund, there is a surplus of \$436,000 as a result of employees being shifted to grant-funded projects, reducing local expenses for employee benefits. Actual expenditures for unemployment insurance resulted in a deficit of \$100,000, which is \$30,000 less than the \$130,000 projected deficit reported in June. There was surplus of \$240,000 for the *Federal Insurance Contribution Act* (FICA) tax. The June financial report assumed that expenditures for FICA would be on budget. Actual expenses were lower due to position vacancies that were not filled, and lower than expected costs related to community use of public facilities.

Actual expenditures for tuition reimbursement resulted in a deficit of \$1.1 million, which is \$744,000 higher than the \$400,000 projected deficit. In addition, there was a surplus in retirement expenses of \$319,000 due to shifts of positions to grants, and a surplus of \$504,000 due to a lower than budgeted rate for administration of state retirement funds. The actual surplus for tuition for students who attend Johns Hopkins and George Washington universities was \$200,000, which is \$150,000 less than the \$350,000 projected surplus. There was a surplus of \$246,000 for workers compensation, an additional \$66,000 more than the \$180,000 surplus projected in June. All other Category 12 accounts had a net surplus of \$77,000.

#### **Category 14—Community Services**

Actual end-of year expenditures for Category 14—Community Services were on budget.

JPS:LAB:TPK:cjh



**Montgomery County Public Schools  
Category 3 Instructional Salaries  
Positions Budgeted and Filled as of April 30, 2013**

	<b>Budgeted Positions</b>	<b>Filled Positions</b>	<b>Difference (2)</b>
<b>Elementary Schools</b>			
Kindergarten Teachers (1)	599.3	575.0	24.3
Teachers (grades 1-5) (1)	3,407.3	3,359.7	47.6
Guidance Counselors	127.3	126.3	1.0
Media Specialists & Media Assistants	204.1	202.5	1.6
IT Systems Specialists	34.0	33.0	1.0
Paraeducators	312.1	305.2	6.9
Lunch Hour Aides	136.4	127.9	8.4
Subtotal, Elementary Schools	4,820.5	4,729.7	90.8
<b>Middle Schools</b>			
Teachers (1)	1,746.6	1,726.8	19.8
Guidance Counselors	132.5	131.0	1.5
Media Specialists & Media Assistants	70.7	70.2	0.5
IT Systems Specialists	31.0	30.0	1.0
Paraeducators	50.2	49.6	0.6
Lunch Hour Aides	13.0	13.1	-0.1
Subtotal, Middle Schools	2,044.0	2,020.7	23.3
<b>High Schools</b>			
Teachers (1)	2,324.0	2,284.3	39.7
Guidance Counselors	179.5	177.0	2.5
Media Specialists & Media Assistants	94.5	94.5	0.0
IT Systems Specialists	26.0	26.0	0.0
Paraeducators	135.9	132.0	3.9
Subtotal, High Schools	2,759.9	2,713.8	46.1
<b>Pre-K/Head Start</b>			
Teachers (1)	63.4	62.6	0.8
Paraeducators	49.8	49.0	0.9
Other	7.6	8.3	-0.7
Sub-total, Pre-K/Head Start	120.8	119.8	1.0
<b>ESOL/Bilingual Program</b>			
Teachers (1)	501.9	492.7	9.2
Paraeducators	41.9	39.2	2.7
Other	18.0	18.0	0.0
Sub-total, ESOL/Bilingual Program	561.8	549.9	11.9
<b>Other (3)</b>	269.3	257.4	11.8
<b>Total, Category 3</b>	10,576.2	10,391.2	185.0

(1) Teachers include all teacher positions including classroom teachers.

(2) All positions that have been allocated to schools and are vacant are filled with substitutes.

(3) "Other" includes a variety of positions in 27 MCPS units.